STATE OF IOWA PROPERTY ASSESSMENT APPEAL BOARD

Scott & Julie Christianson,

Petitioners-Appellants,

ORDER

v.

Black Hawk County Board of Review,

Respondent-Appellee.

Docket No. 10-07-0328 Parcel No. 8814-26-451-027

On March 11, 2011, the above captioned appeal came on for hearing before the Property

Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2) and Iowa

Administrative Code rules 701-71.21(1) et al. The Appellant Scott Christianson was self-represented.

The Black Hawk County Board of Review designated Attorney David J. Mason as its legal

representative. Both parties participated by phone. The Appeal Board having reviewed the record,

heard the testimony, and being fully advised, finds:

Findings of Fact

Scott and Julie Christianson are the owners of a residentially classified, single-family residence located at 200 Pheasant Lane, Hudson, Iowa. The property is a one-story home, built in 2008, and has 1888¹ square feet of total living area. The property has a full basement with 1025 square feet of living-quarter finish. There is also a three car attached garage, a 108 square-foot open front porch, a 168 square-foot deck, and a 396 square-foot patio. The site is 0.604 acres.

¹ Total living area of 1888 is from the property record card. There are two appraisals in the certified record, one of which indicates a total living area of 1888 and one which indicates a total living area of 1864. The assessor indicated the subject property had been physically measured by her office. Therefore, we give deference to the County Assessors office.

Scott Christianson protested to the Black Hawk County Board of Review regarding the 2010 assessment allocated as follows: \$45,900 in land value and \$265,700 in improvement value for a total assessment of \$311,600. Christianson asserted the market value of the subject property is \$275,000 to \$280,000.

The January 1, 2010, assessment of Christianson's property increased \$31,970 from the January 1, 2009, assessment making it a reassessment year and allowing all grounds for protest. Christianson's claim was based on the following grounds: 1) that the assessment was not equitable compared with the assessments of other like property under Iowa Code section 441.37(1)(a); and 2) that the property was assessed for more than the value authorized by law under section 441.37(1)(b).

The Board of Review denied the protest.

Christianson then appealed to this Board reasserting his claims and asserting the correct value of the subject property is \$276,379.

Christianson provided two pages of an appraisal completed for mortgage finance purposes, as well as a one-page letter outlining his position to the Board of Review. The appraisal has an effective date of December 1, 2008. A full copy of the appraisal was provided to this Board and indicates the appraiser as Jim Herink of Rally Appraisal, LLC.

Christianson asserts in his letter to the Board of Review that he purchased the subject property for \$292,000 in December 2008. However, this included roughly \$12,000 in cash back from the seller for appliances and unfinished yard work. He claims this demonstrates the market value of the subject property is \$280,000.

In an undated letter to this Board (received July 7, 2010), Christianson indicates a total of \$3500 paid back by the seller compared to the \$12,000 he referenced in his letter to the Board of Review. Christianson also states his home has a Geothermal Heat Pump with Desuperheater. The Black Hawk County Assessor's office told Christianson that the cost of his Geothermal Heat Pump over that of a typical heating system, is not included in the cost or valuation of the property.

Christianson asserts the geothermal heating unit costs \$12,111 more than a typical forced air heating system. He takes the \$3500 paid by the seller for appliances, yard work, and the \$12,111 excess cost of the geothermal heating system and subtracts them from his purchase price of \$292,000 to arrive at \$276,389, which he asserts is the correct value of his property.

Christianson also offered two appraisals completed on his home. The first was completed by Herink and indicates a value of \$285,000 as of December 1, 2008. Herink developed both the sales comparison and cost approach to value. His cost approach indicates a value of \$286,000 (rounded). In his sales comparison approach Herink included four comparable properties all located less than 0.90 miles from the subject with sale dates between April 2007 and September 2008. Pre-adjusted sales prices range from \$240,000 to \$325,000. After making adjustments for differences, the sales indicate a range of value between \$276,000 (rounded) to \$285,000 (rounded).

Herink's appraisal reports the subject basement as having minimal finish as of the effective date of the report, reporting that it offers "limited contributory value." This item is significant because Christianson believes the 2009 assessment of \$279,630 included basement finish. While this appeal is in regards to the January 1, 2010, assessment, it is important to understand that the increase between January 1, 2009, and January 1, 2010, assessments, is due in part to the "addition of the basement finish" which occurred between the two dates.

Tami McFarland, the Black Hawk County Assessor, testified for the Board of Review that the January 1, 2009, assessment did not include basement finish as it was not complete as of that assessment date. We note this was confusing to Christianson. He believes that since his purchase price of \$292,000 included basement finish this would automatically be included and considered in the January 1, 2009, assessment. However, this is incorrect. The price paid for the property did not reflect the actual condition of the improvements as of that assessment date. An assessor may only value what actually exists as of the assessment date in accordance with Iowa Code section 428.4.

There were no interior photos of the subject basement in Herink's appraisal to visually confirm the lack of finish or partial finish. Therefore, given Herink's reporting of the basement having only partial finish ("framed with unfinished drywall") and his subsequent downward adjustments to the comparables of up to \$20,000 reflecting the value of their basement finish, it seems reasonable that the assessing office accurately reflected the January 1, 2009, condition of the subject property as lacking basement finish.

Christianson submitted a second appraisal on the subject property with an effective date of October 4, 2010. The appraisal was completed by John Stortz of Valuation Services, Inc., Cedar Falls, Iowa. The submitted copy of Stortz's appraisal is of poor quality with the "form" of the report missing and the pages misaligned. However, it is complete enough for this Board to consider and evaluate.

Stortz's appraisal was also completed for mortgage financing purposes. He developed only the sales comparison approach to value. Stortz included six properties for comparison which sold between August 2008 and August 2010. Four of the properties sold in 2010, one in 2009 and one in 2008. All are located less than 0.75 miles from the subject and had a pre-adjusted range of value from \$238,500 to \$327,500. We note that only one comparable property sold for over \$280,000. After adjustments, the range of value was \$278,000 (rounded) to \$299,000 (rounded). Stortz concluded a final value opinion for the subject property of \$290,000.

Stortz indicates that as of the effective date of October 2010 the subject had 90% of good quality basement finish. Stortz made a \$15,000 upward adjustment to comparables that lacked basement finish. While slightly different, this is similar to Herinks adjustment of \$20,000 for lacking any basement finish.

Although a significant amount of basement finish was completed between the two appraisals, there is little value difference between the two effective dates. We note this may be due in part to the "flat" market noted by Stortz in his report. Stortz stated the "2010 sales (are) staying consistent with 2009 figures." We find that while neither appraisal reflects a January 1, 2010, effective date, both

"sandwich" the assessment date in question with no significant value fluctuation. Furthermore,

McFarland testified that both appraisals were reasonable for their effective dates and no testimony was

presented which discredited either appraisal.

We consider these two appraisals to be the best evidence in the record.

Christianson also asserts his property is inequitably assessed. In an undated, three-page letter received by this Board in July 2010, Christianson compares his property to six other residential properties. He takes the "livable space" (total above grade living area) divided by the assessed value to arrive at an assessed value per square foot. He notes his property as having 1864 square feet. Five of the six properties he offers for comparison have less than 1600 square feet, and one has just less than 1750 square feet. Christian indicates the 2010 assessment of his property is \$167.17 per square foot compared to the other six properties' assessments ranging between \$135.84 and \$148.72 per square foot.

We find this analysis to be incomplete and insufficient to support an equity claim. There is not enough information presented to determine that the properties submitted for comparison are indeed similar to the subject, no adjustments have been made for any differences which may exist (such as age, condition, quality, for example), and there is no market value or sales prices presented to calculate a ratio analysis.

McFarland provided a spreadsheet in response to Christianson's equity claim and his persquare foot analysis. The spreadsheet includes nine ranch-style homes in the subject's development and breaks down each property to a dollar per square-foot without land, without land/basement, and with land. McFarland notes that Christianson used the latter calculation, a total assessed value (land/improvements) to determine a square-foot price. McFarland claims this distorts the final calculations as not all properties (improvements or site) were the same size or had basement finish. We agree. McFarland provided a square foot rate that excludes land, as well as a second square foot rate that excludes land and basement finish. Additionally, she states the "subject property is the largest

ranch-style home and has one of the largest lots in the subdivision." She does not indicate how this fact impacts the property's value.

In McFarland's analysis of assessed values per square foot (improvements only/no land included), the subject has a value per square foot of \$140.73. The value per square foot of the nine properties listed range from \$113.14 to \$139.52. The median is \$127.27 and the average is \$126.41. McFarland did not explain why the subject's value per square foot for above grade only (\$140.73) was outside of the range indicated and significantly higher than the average and median values.

Considering the assessed value per square foot of the above-grade living area only (excluding land value and basement finish value), the properties supplied by McFarland indicate a range of \$112.08 to \$123.29. The average is \$116.35 and the median is \$115.01. The subject has an assessed value per square foot for above-grade living area only of \$126.24, which we again note as being outside the overall range and significantly higher than both the median and average. In her analysis, McFarland did not provide the value of the basement finish assigned to the subject property. Backing into the calculations, it appears she assigned a value of \$27,300² for the subject's basement finish, compared to the \$15,000 to \$20,000 value assigned by the fee appraisers. We note the property record card values the basement finish by cost at \$15.00 per square foot; or \$15,375. No explanation of why \$27,300 was used rather than the \$15,300 noted on the property record card.

For illustration purposes, when taking the average of the two appraised values of \$287,500 and applying the same formula³ considered by McFarland, we find the following conclusion.

$$$287,500 - $45,900 - $19,400^4 = $222,200 / 1888 = $117.69$$

 $^{^2}$ Using the numbers provided on the spreadsheet. \$PSF without land or basement finish is \$126.24. \$126.24 X 1888 square feet = \$238,341 for above grade improvements only. Assessed value of total improvements only \$265,700 - \$238,341 = \$27,300 which would be assigned to basement finish.

³ Total value - land value - basement finish value = value of above grade improvements / total above grade living area = \$/SF of above grade.

⁴ Four basement finish values have been presented ranging roughly from \$15,000 to \$27,000, with an average of \$19,400. We have applied the average for demonstration. The finish values include \$15,300 from the property record card; \$20,000 from Herink's appraisal; \$15,000 from Stortz's appraisal; and \$27,300 from McFarlands spreadsheet analysis.

We note \$117.69 falls within the range presented by McFarland and only slightly above the average and median of that range.

Christianson testified in an earnest manner that he believes his assessment is inequitable and over-assessed. We find the two appraisals in the record bracket the assessment date contested, are undisputed, are the most credible evidence of value in the record, and fairly reflect a market value as of January 1, 2010. We find sufficient evidence has been provided to demonstrate the subject is over-assessed under section 441.37(1)(b).

Conclusions of Law

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2009). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

To prove inequity, a taxpayer may show that an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shriver*, 257 Iowa 575, 133 N.W.2d 709 (1965). The six criteria include evidence showing

"(1) that there are several other properties within a reasonable area similar and comparable . . . (2) the amount of the assessments on those properties, (3) the actual value of the comparable properties, (4) the actual value of the [subject] property, (5) the assessment complained of, and (6) that by a comparison [the] property is assessed at a higher proportion of its actual value than the ratio existing between the assessed and the actual valuations of the similar and comparable properties, thus creating a discrimination."

Id. at 579-580. The gist of this test is ratio difference between assessment and market value, even though Iowa law now requires assessments to be 100% of market value. § 441.21(1).

Christianson provided six properties considered as equity comparables, however, there is not enough information presented to determine that these properties are reasonably similar to the subject property. Christianson did not show inequity under *Maxwell* or *Eagle Foods*.

In an appeal that alleges the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(b), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). Christianson submitted two appraisals with effective dates of January 2008 and October 2010. While neither appraisal directly reflects a January 1, 2010, assessment date, they do bracket this date and both appraisals are undisputed. While both appraisals reflect similar values despite some significant differences in the subject property characteristics at the time of their valuations (addition of basement finish), an argument has been made that the "flat" economy has stagnated the increase in value one would typically expect to see as a result of the additions. We give both appraisals similar weight.

THE APPEAL BOARD ORDERS that Scott and Julie Christianson's property located at 200 Pheasant Lane, Hudson, Iowa, is modified to a total value of \$287,500; representing \$45,900 in land value and \$241,600 to the improvements as of January 1, 2010.

The Secretary of the State of Iowa Property Assessment Appeal Board shall mail a copy of this Order to the Black Hawk County Auditor and all tax records, assessment books and

other records pertaining to the assessments referenced herein on the subject parcels shall be corrected accordingly.

Dated this 6 day of May, 2011

Karen Oberman, Presiding Officer

Richard Stradley, Board Chair

Pacqueline Rypma

Cc:

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